



City
Manager's
Office

TO: City Council

FROM: L. Kimball Payne, City Manager *LKP*
Bonnie Svrcek, Deputy City Manager *Bonnie*

SUBJECT: FY 2005 Budget Adjustments

DATE: May 18, 2004

General Fund

Attached is a summary of adjustments resulting from the adoption of a budget by the General Assembly. Most significantly, the City is going to receive additional funds or save previously budgeted funds in the following areas:

• HB 599 (legislation requires these funds be dedicated to public safety and not supplant current funding)	\$ 236,356
• Changes in funding for Constitutional Officers	56,378
• VRS Group Life Holiday (FY 2005 and FY 2006)	298,000
• Schools	2,771,794
• State Recordation Tax	<u>12,412</u>
	\$ 3,374,940

Following budget deliberations at your April 27th work session, a positive balance of \$173,838 was available. Typically, this would accrue to the fund balance. In addition, if City Council so chooses, the availability of the \$1.0 million prepayment to the Laurel Program and the \$120,810 prepayment to the Governor's School could be used for one-time expenditures.

We feel obliged to point out to Council certain language in the budget adopted by the General Assembly with respect to the additional funding for schools. As reported by VML, *"The budget states that these funds [funding to support revisions to the Standards of Quality] are provided to school divisions and local governments in order to relieve the financial pressure education programs place on local real estate taxes and shall be taken into account by the governing body in setting real estate tax rates."* Furthermore, VML reports that, related to the removal of 70% of the deduction for federal funds, the budget language states, *"It is the desire of the General Assembly than on average local school divisions continue to improve the average salary for classroom teachers by at least three percent per year, the actual average annual rate increase in recent years."*

In summary, the positive balance of \$173,838 and the adjustments of \$3,374,940 resulting from State budget decisions total \$3,548,778. These funds are anticipated to be recurring over at least the next two years. The \$1,120,810 resulting from the Schools prepayments are one-time savings should only be allocated to one-time expenditures.

Some items regarding the FY 2005 budget need to be noted for a "watch list". These items include:

- We believe that the Schools may realize savings of \$300-\$400,000 in VRS costs due to the adoption of rates less than planned for in the FY 2005 Budget preliminarily approved by the School Board. We are attempting to verify this number.
- Fuel costs: Budgeted at \$1.10/gallon; if FY 2005 averages out to \$1.40/gallon the impact on the budget is \$133,500 (all funds)
- Impact of the National Automobile Dealers Association decrease in valuation of American-made sedans on personal property tax revenue estimated at \$420,000
- State budget impact on the Regional Jail per diem is not yet determined but is expected to be positive
- Health insurance costs not yet determined

Water Fund

Public Works staff have determined that it is more cost-efficient (savings of \$5,000-\$8,000 annually) to hire a Custodian rather than contracting out for such services. As a result, staff recommends that City Council amend the FY 2005 Water Fund Budget to add a Custodian III position at a cost of \$29,483. The line item for contracted services will be reduced to result in a net savings.

Conclusion

City staff needs guidance regarding how City Council wants to allocate the funds noted above so that the budget ordinance and/or amendments to the *City Code* regarding tax rates can be revised for your consideration of a second reading at your regular meeting on May 25th.

Attached is a revised balance sheet showing the changes noted above.

Attachment

c: Leadership Team
Donna Witt, Assistant Financial Services Director
Dr. McCormick

BALANCING THE FY 2005 BUDGET**Revenues and Use of Fund Balance**

<i>Proposed Revenues (from the FY 2005 Proposed Operating Budget)</i>	\$	127,753,461
Use of Fund Balance	\$	354,000
Total Proposed Revenues and Use of Fund Balance	\$	128,107,461

Adjustments: Revenue Summary (discussed at 4/13/04 Council Meeting)

General Property Taxes	\$	128,468
Other Local Taxes (includes raising Personal Property for vehicles to \$4.00)	\$	1,449,419
Use of Money and Property	\$	(40,253)
Charges for Services (includes increased Ambulance Fees)	\$	448,727
State Non-Categorical Aid	\$	205,711
State Categorical Aid-Constitutional Offices	\$	173,023
State Categorical Aid-Grants (Budgeted incorrectly in the General Fund)	\$	(150,000)
Revised Revenues and Use of Fund Balance	\$	130,322,556

Expenditures, Reserves and Transfers

Proposed Expenditures and Transfers (from the FY 2005 Proposed Operating Budget)	\$	128,107,461
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Results of April 13, 2004 City Council Actions

City Council: Defer salary increase	\$	(27,508)
Public Works: Restore funding for safety picnic and meals for employees attending training that extend beyond traditional meal times	\$	4,400
CASA	\$	10,557
GLTC (restore night service)	\$	53,240

Results of April 13, 2004 City Council Actions (Adjustments and Corrections)

Salary supplement for Building Inspectors based on certification(s)	\$	12,000
Correction: Reduce Police Cadet Program from 6 to 4 positions	\$	(55,000)
Correction: Double Budgeted Neighborhood Coordinator Position	\$	(46,000)
Adjustments to Council/Manager's Budget based on membership dues notifications	\$	6,617
Adjustments to Constitutional Offices based on Compensation Board Estimates	\$	16,372
Correction: Fleet Services Charges/Various Departments	\$	(4,284)
Adjustment: Region 2000 Regional Commission Dues	\$	(4,026)
Adjustment: Indigent Hospitalization	\$	1,159
Adjustment: General Fund transfer to City/Federal/State Aid	\$	(13,516)
Correction: Parks and Recreation position	\$	(7,279)
Adjustment: Restore Overtime:		

Police	\$	115,000
Animal Warden	\$	430
Emergency Communications	\$	26,676
Fire	\$	101,000
Opportunity House	\$	2,000
Crossroads House	\$	3,500
SPARC House	\$	1,000
Special Events	\$	60,000

Adjustment: Salary savings in Billings and Collections due to turnover	\$	(12,166)
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Revised Expenditures	\$	128,351,633
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Revised Balance	\$	1,970,923
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April 20, 2004 Council Adjustments

Restore Library Funding	\$	(141,240)
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Revised Balance	\$	1,829,683
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April 27, 2004 Council Adjustments

Increase admission tax from 5% to 7% rather than the Manager's Proposed from 5% to 10%	\$	(168,000)
Increase Business Personal Property from \$3.30 to \$3.95	\$	585,000
Increase Personal Property from \$3.30 to \$3.95 (\$.45 increase from Manager's proposed of \$3.50).	\$	(143,170)
Increase meals tax from 6.0% to 6.5% rather than the Manager's Proposed from 6.0% to 7.0%	\$	(626,720)
Increase real estate from \$1.11 to \$1.14 rather than Manager's proposed from \$1.11 to \$1.18	\$	(1,262,000)
Commonwealth Attorney: Funding for salary increases	\$	(40,955)

Revised Balance	\$	538,228
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Increase in Ending Fund Balance	\$	(173,838)
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Balance	\$	-
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May 25, 2004**Adjustments due to State Budget**

HB 599 (legislation requires these funds be dedicated to public safety and not supplant current funding)	\$	236,356
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Changes in funding for Constitutional Officers	\$	56,378
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VRS Group Life Holiday	\$	298,000
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Schools	\$	2,771,794
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State Recordation Tax	\$	12,412
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Total Adjustments due to State Budget	\$	3,374,940
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Ending Balance April 27, 2004	\$	173,838
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Funds available for Council Allocation for recurring costs and/or tax rate reduction	\$	3,548,778
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Adjustments due to Pre-payments by the Schools

Laurel Program	\$	1,000,000
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Governor's School	\$	120,810
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Total Adjustments due to Pre-payments by the Schools	\$	1,120,810
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available for allocation for non-recurring items